

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2003):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO
APPAREL OF CERTAIN YARN OF MICRO MODAL FIBER/COTTON FROM
SUB-SAHARAN AFRICAN, CARIBBEAN BASIN, AND ANDEAN COUNTRIES**

Investigation No. 332-450-006

July 2003



Commercial Availability of Apparel Inputs (2003): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-450-006

Products	Apparel of Certain Yarn of Micro Modal Fiber/Cotton
Requesting Parties	Ge-Ray Fabrics, Inc.
Date of Commission Report: USTR Public	July 17, 2003 July 2003
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON JULY 17, 2003. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***).

Summary of Findings

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of specified women's and girls' knit apparel made in eligible sub-Saharan African, Caribbean Basin, and Andean countries from certain yarn, or from fabric made in the United States from such yarn, regardless of the source of the yarn, likely would have no adverse effect on U.S. fiber, yarn, fabric, or apparel producers, or their workers. The proposed preferential treatment likely would benefit U.S. firms making the specified apparel in eligible countries, and their U.S.-based workers, as well as U.S. consumers.

Background

On January 28, 2003, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-450, *Commercial Availability of Apparel Inputs (2003): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice regarding the probable economic effect of granting preferential treatment for apparel made from fabric or yarn that is the subject of petitions filed by interested parties in 2003 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA, Title XXXI of the Trade Act of 2002).¹

The Commission's advice in this report concerns a petition received by CITA on June 5, 2003, alleging that certain yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for certain women's and girls' knit apparel made in eligible sub-Saharan African, Caribbean Basin, and Andean countries from such yarn, or from fabric formed in the United States of such yarn, regardless of the source of the yarn. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action, and the

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of February 4, 2003 (68 F.R. 5651) and its website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.²

Brief discussion of the product

The yarn named in the petition is classified in subheading 5510.30.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for yarn (other than sewing thread) of artificial staple fibers, other than yarn containing 85 percent or more by weight of such fibers, mixed mainly or solely with cotton, and not put up for retail sale. The proposed preferential treatment covers women's and girls' knit blouses, shirts, lingerie, and underwear made from the subject yarn or from fabric formed in the United States of such yarn. These garments are classified in HTS chapter 61 (apparel, knitted or crocheted) and are subject to 2003 column 1-general rates of duty ranging from 15 percent to 32.3 percent ad valorem.

The petition states that the subject yarn is made in "yarn counts" of 30 singles fine yarn and 50 singles super-fine yarn.³ The yarn is ring-spun; contains 50 percent or more, but less than 85 percent, by weight of 0.9 denier or finer micro modal fibers; and such fibers are mixed solely with U.S. extra-long pima combed cotton. The micro modal fibers used in the subject yarn are viscose rayon fibers, a type of artificial fiber. The petition notes that these modal fibers individually are of "extreme fineness." A key feature of yarn containing micro modal fibers is their ability to retain their strength when wet, which, in turn, allows garments made of such yarns to be laundered. Garments containing the subject yarn have a soft, luxurious "hand" and generally are sold at the higher end of the retail market.

According to the petitioner (Ge-Ray Fabrics), there currently is no satisfactory substitute for micro modal fibers in the firm's intended apparel applications. According to representatives of ***, there are significant differences between micro modal fibers and synthetic micro fibers.⁴ Apparel items produced with micro modal fibers have properties more closely resembling cotton or silk; for example, such garments have soft "hand" and are more delicate than garments made from synthetic fibers. Because garments made with micro modal fibers are more delicate, they must be carefully laundered and are often dry cleaned, while garments made from synthetic fibers have better wash-and-wear properties. Micro modal fibers are more expensive, reportedly costing twice as much, on average, as polyester fiber. According to industry sources, apparel containing the subject yarn does not compete with apparel made in the United States from synthetic-fiber yarn because of the differences between the two fibers in terms of properties and cost.

Brief discussion of affected U.S. industries, workers, and consumers

There currently is no known U.S. production of the subject yarn or of micro modal fibers used in the production of the yarn. The only known world producer of micro modal fibers is Lenzing AG (Austria), which reportedly produces and markets the fibers in Europe. According to Lenzing, the market for micro modal fibers is much larger in Europe than in the United States; garments made from such fibers have long been considered a specialty product in the U.S. market.⁵ U.S. mills reportedly have the capability to make (spin) the subject yarn, but are unable to purchase micro modal fibers from Lenzing.⁶ Lenzing indicated that it has already "committed" its production of such fibers to customers in other markets and

² In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and USTR to submit the required report to the Congress.

³ The yarn count indicates the number of 840-yard lengths in a pound of yarn (e.g., 30 or 50). The higher the yarn number, the finer the yarn.

⁴ ***, telephone interviews by Commission staff, July 8 and 9, 2003.

⁵ Paul Souza, Manager of Technical Services, Lenzing AG, Charlotte, NC, telephone interview by Commission staff, July 2, 2003.

⁶ Charles Bremer, Vice President of International Trade, American Textile Manufacturers Institute, Washington, DC, telephone interview by Commission staff, June 30, 2003.

that it has insufficient capacity to satisfy additional customers.⁷ According to Lenzing, supplying additional customers would involve substantial investment in plant capacity in Austria that the company is unprepared to make at this time.

U.S. mills reported to have the spinning capability to make fine yarns are Buhler Quality Yarns Corp., Jefferson, GA; R.L. Stowe Mills, Inc., Belmont, NC; Parkdale Mills, Gastonia, NC; and Avondale Mills, Inc., Sylacauga, AL. ***.⁸ ***. Buhler stated that it employs 120 persons and specializes in making yarn in counts of 30 to 100. Buhler stated that 80 singles yarn and finer account for about *** percent of its yarn output. Buhler stated that it sells only a small portion of its fine yarn production to customers in the United States, with the majority being shipped to customers in the Caribbean Basin, Mexico, and Mauritius. Buhler stated that yarn exported by the firm to Mauritius is used in the production of apparel in Mauritius and Madagascar and that some of this apparel is imported into the United States under the AGOA.

R.L. Stowe Mills said ***.⁹ ***.

Parkdale Mills indicated that ***.¹⁰ ***.

Avondale Mills stated that ***.¹¹ ***.

Views of interested parties

No written submissions were filed with the Commission.

Probable economic effect advice¹²

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of certain women's and girls' apparel made in eligible AGOA, CBTPA, and Andean beneficiary countries from the subject yarn, or from fabric formed in the United States from the subject yarn, regardless of the source of the yarn, likely would not have an adverse effect on U.S. fiber, yarn, fabric, or apparel producers, and their workers. There currently is no known U.S. production of the subject yarn or of micro modal fibers used in the production of the yarn. In addition, there is no known U.S. production of fabrics containing the subject yarn. Industry sources indicated that the subject yarn is not competitive with yarn produced in the United States from synthetic fibers.

The proposed preferential treatment would likely benefit U.S. apparel firms making apparel items in eligible beneficiary countries by increasing the supply and access to fabric containing the subject yarn. According to industry sources, a number of U.S. apparel retailers have recently begun to express interest in sourcing apparel containing micro modal fibers.¹³ U.S. consumers of apparel made from the subject yarn would benefit from the proposed preferential treatment to the extent that such apparel articles become available in greater quantities in the U.S. market and to the extent that importers of such apparel pass on some of the duty savings to retail consumers in today's highly competitive market for women's and girls' apparel.

⁷ R.L. Horne, Technical Manager of Specialty Products, Lenzing AG, Charlotte, NC, telephone interview by Commission staff, July 9, 2003.

⁸ Information on Buhler is from Werner Bieri, President, Buhler Quality Yarns Corp., Jefferson, GA, telephone interviews by Commission staff, June 16 and July 9, 2003.

⁹ Harding Stowe, President, R.L. Stowe Mills, Inc., Belmont, NC, telephone interview by Commission staff, June 18, 2003.

¹⁰ Dan Nation, President, Parkdale Mills, Inc., Gastonia, NC, telephone interview by Commission staff, June 18, 2003.

¹¹ Steven Johnston, Sales Manager, Avondale Mills, Graniteville, SC, telephone interview by Commission staff, June 23, 2003.

¹² The Commission's advice is based on information currently available to the Commission.

¹³ R.L. Horne, Technical Manager of Specialty Products, Lenzing AG, Charlotte, NC, telephone interview by Commission staff, July 9, 2003.